

# looking ahead

. . . . A monthly report by the National Planning Association on forward-looking policy planning and research—announced, underway, and completed—of importance to the nation's future

In This Issue—

THE ECONOMIC OUTLOOK for 1957

THE AWAKENING SUBCONTINENT

WORLD AFFAIRS CENTER

FIRESTONE in LIBERIA

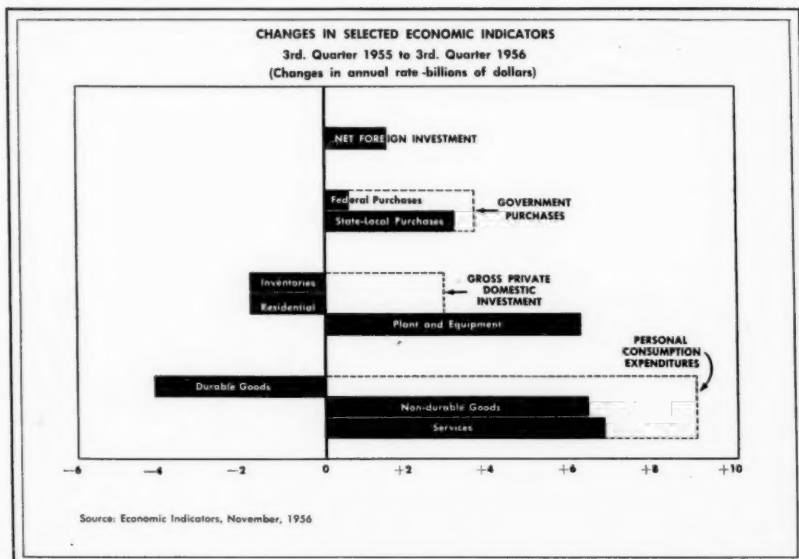
*the people of NPA*

## The Economic Outlook for 1957

by Gerhard Colm

NPA Chief Economist

THERE SEEMS TO BE a virtual consensus among economists that the economic outlook for 1957 is good. The same factors which made for rising activities in 1956 promise to continue, possibly with increased strength; and some of the retarding factors promise to be less retarding in 1957. Thus, the outlook is not only for a high and rising level of business activity, but also for a continuation of the upward pressure on prices. These statements, however, should all be couched in hypothetical terms. For, in our age of world-wide turmoil many things can happen which could fundamentally alter economic events. These caveats are taken for granted in our economic outlook analysis.



Teamwork by Agreement

● "Man's greatest discovery is not fire, or the wheel, or the internal combustion engine or atomic energy, or anything in the material world! It is in the world of ideas. Man's greatest discovery is teamwork by agreement. I do not mean to suggest that every agreement to work together has been good. That would be like arguing that every fire has benefited mankind. But the advance of civilization can almost be told in terms of widening appreciation of the fact that working together to produce more of the good things of life pays better than fighting with one another over the division of what is already available."

From an address entitled "A Richer Life in a Poorer World," by B. Brewster Jennings, Chairman of the Board, Socony Mobil Oil Company, Inc., delivered before The Rotary Club of Los Angeles, California, September 14, 1956.



Let us take a look at the factors which were responsible for the rise in activity during the year coming to an end. The annual rate of production of goods and services has increased by \$17 billion from the 3rd quarter 1955 to the 3rd quarter of 1956. More than half of the increase is attributable to a rise in consumer spending. Substantial increases in spending for nondurables and services offset a decline in spending for automobiles and some other durables. The rise in consumer spending reflected rising incomes, particularly rising wages, which account for more than 70% of total personal income.

The second largest increase in national output was in the field of outlays for business construction and equipment. Substantial increases also took place in public spending, particularly on the state and local government level. The increase in net foreign investment reflected an increase in exports.

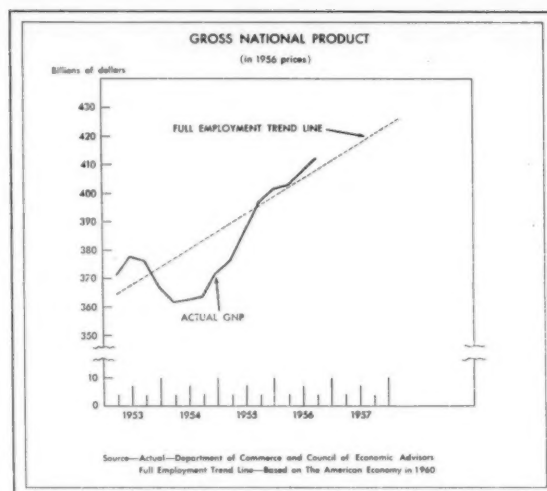
On the minus side, in addition to the reduction in auto sales, there occurred a curtailment in residential construction and a decline in the rate of inventory accumulation.

The year 1956 has not brought great surprises to the economic forecasters. In general, the predictions of a year ago have been borne out by the events. (See "Economic Outlook for 1956" in the December 1955 issue of "Looking Ahead.") One aspect of last year's economic developments which worried several forecasters (including this writer), concerned the possible installment debt during 1955. It was feared that the rising rate of credit repayments might force some curtailment in other consumer expenditures. Actually, the rate of installment debt repayments did go up this year, but the increase was more than offset by an even greater rise in personal incomes and by the continued excess--although at a reduced level--of credit extension over credit repayments. Consequently, in spite of rising repayments, outstanding installment debt as a whole has continued to grow throughout the year.

#### Looking Ahead to 1957

**T**HE SAME FACTORS which made for a rise in personal incomes and consumer spending in 1956 are likely to continue into next year. With a more promising outlook for the sale of automobiles the rise in total consumer spending may well exceed that of 1956.

Although the results of the usual surveys of business spending plans for plant and equip-



ment are not yet available, there are indications that these outlays will continue on a high level though the rate of increase will probably be less than that of the last year. It is possible that some reduction in profit margins of business and the credit stringency may begin to have an effect on business investments, at least to the extent of slowing down the rate of increase during the next year. No further reduction in the rate of inventory accumulation is expected.

Residential construction—in dollar terms—is likely to continue at approximately the present relatively low level while the drop in the number of new housing starts may continue to decline somewhat.

With the present outlook for business activity, it does not appear likely that credit restrictions will be eased in the near future. Relaxation of credit stringencies and adjustment of mortgage terms could very readily bring about a rise in residential construction.

Government expenditures both on the Federal and the state-local level will continue to increase. National security expenditures were bound to rise even before the aggravation of the international situation. Under present international conditions it is most likely that the increase in defense spending will be significant. To this will be added the effect of initial expenditures under the recently enacted road construction program, plus the continued expansion of local public works, especially for schools and suburban development. Expenditures for all these programs mean that government activity will continue upward adding approximately \$5 billion to national out-

put. At the same time, however, with rising levels of personal income, and with the level of corporate profits running higher than a year ago, the increase in government tax revenues may well parallel the increase in expenditures. The net result would then be that government activities will continue to exert a mildly inflationary influence on the economy.

All this adds up to continued economic strength. In order to maintain full employment conditions, Gross National Product must rise by about \$15 billion--measured in constant prices--from 1956 to 1957. Such a rate of growth appears not unlikely.

#### Anti-Inflation Policy

THE LAST YEAR brought a mild but continued price rise and further inflationary pressure seems to be in store. It is significant that this election year has passed without tax reduction and without any of the major candidates promising early tax reductions in the near future. With the expected increase in government expenditures and continued expansion in the private sectors no general tax reduction of substantial size appears likely for 1957. However, no one has suggested that a tax increase program is feasible as an anti-inflationary measure unless the international situation becomes much more serious.

This leaves credit policy as the main device for containing the price rise. The Federal Reserve System has adopted a moderately restrictive credit policy as one of the means for combating the tendency toward increased prices. It is difficult to appraise the effect of that policy because we do not know how much prices would have risen in the absence of credit restrictions. The developments of the past year do, however, suggest that the restrictive credit policy has had little effect thus far on curtailing the investment activities of larger enterprises but has had a considerable effect on smaller businesses and on residential construction. Nevertheless, the investment program of many large corporations may begin to tax their internal sources and may force more of them into the capital market for continued expansion. Therefore, prolonged credit stringencies may sooner or later also have the same effect on investments by larger corporations. Whatever curtailment of investment and construction did occur probably helped to relieve the demand for steel and other building materials. The total effect of credit restrictions,

however, has thus far been limited and one-sided in its impact.

The events of the past few years raise serious questions concerning the effectiveness of credit restrictions. Only much more drastic credit restrictions than are currently in force could have an effect on world-wide raw material prices and on labor costs. But credit restrictions of such severity would probably have such a depressive influence on certain sectors of the economy as to create unemployment in those particular fields of activity. Such a development would raise serious questions as to the wisdom and feasibility of such a restrictive policy. Therefore, it appears most likely that a policy of mild credit restraint will be continued. But, as was the case last year, it is doubtful that such a policy can be sufficiently effective to prevent some further price rise.

#### The Longer Range Perspective and the Problems of the In-Between Period

THE LONGER RANGE outlook for the next few years appears as promising as the outlook for the coming year. So many needs--both private and public--still have to be met that rising levels of production will be needed to satisfy equally rising opportunities for use. However, problems are quite likely to arise in the intervening years.

The Office of Economic and Commercial Research of the Armstrong Cork Corporation recently asked a number of business economists whether they expected an interruption in economic expansion between 1956 and 1960. Out of 61 answers received, 15% stated that they expected no or only small (less than 2%) declines. The overwhelming majority, 80%, answered that they expected a temporary decline of between 3% and 10% in the Gross National Product. Another 5% of the economists surveyed expected a decline of over 10%.

It is by no means inconsistent to express optimism with respect to the 1957 outlook and yet warn that all is not clear sailing ahead. The forces for expansion which were in operation last year are likely to continue not only through the next year but possibly for several decades. Nevertheless, several of these forces may at the same time weaken, thereby resulting in an inadequate rate of expansion or even a temporary economic decline.

Investment in new plant and equipment has in years past added 5% or more to the industrial capital stock of the nation. Even if total monetary demand should rise by the same ratio,

price increases may create a temporary lag in the rise of purchasing power and demand, measured in real terms. Or, looking at the other side of the coin, temporary overinvestment may appear.

Another problem that we can expect to face concerns the utilization of our growing supply of manpower. From 1947 to 1956, agricultural production increased by 19%; agricultural employment, however, dropped by 16%. During the same period production in manufacturing industry and mining increased by 44%, while employment in these industries rose only 10%. If these tendencies continue, stimulated by technology and business management, we have to expect that most of the annual increase in the labor force will have to be channeled into occupations other than agriculture, manufacturing and mining. The increase in the labor force which currently adds about 900,000 potential new workers per year will rise to around 1.4 million in a decade or so. This may involve considerable shifts in the occupational pattern of the nation. It will portend important consequences for education and training. Nor can it be taken for granted that these changes will take place without creating frictional problems in transition.

These areas of possible difficulty are not mentioned as a prediction of an inevitable recession but merely as a warning that the prosperous years of the past and the favorable outlook for the coming year are no basis for complacency. We cannot yet rest assured that the threat of economic fluctuation and unemployment is a matter of the past. That threat, while it still exists, can be met by proper action. However, proper and prompt action requires advance thinking and planning.

## Zellerbach Named Ambassador

James D. Zellerbach, NPA trustee and president of Crown Zellerbach Corporation in San Francisco, has been named by President Eisenhower to be the next United States ambassador to Italy. The appointment is subject to Senate confirmation when Congress convenes in January.

Mr. Zellerbach, who served as chief of the Marshall Plan mission to Italy from 1948 to 1950, will succeed Mrs. Clare Boothe Luce, who resigned the Rome post because of ill health, about January 1st.

## —the people of NPA—

Gilbert

W.

Chapman



NPA trustee, Gilbert W. Chapman, is president of the Yale & Towne Manufacturing Company, manufacturers of Yale locks and industrial lift trucks and hoists. After receiving his B. S. degree in Engineering from Yale University in 1924, Mr. Chapman began his career by joining the American Water Works & Electric Company where he became assistant treasurer in 1927, treasurer in 1935, vice president in 1943, and, finally, president in 1947. In 1948, he was named vice president in charge of finance of the Yale & Towne Manufacturing Company and, in 1949, he was elected president. He is a director of the Saturday Review Magazine, Franklin Publications, Inc., the National Industrial Conference Board, U. S. Council of the International Chamber of Commerce, Inc., and the Institute of International Education. Mr. Chapman also serves on the Industrial Cooperation Council, U. S. Information Agency; he is co-chairman of the Advisory Council of the Humanities Center sponsored by the College English Association; he is a trustee of The New York Public Library; a fellow of the Morgan Library; Chairman of the National Book Committee, Inc.; and chairman of the Board of Directors of the Council on Library Resources, Inc. (supported by a Ford Foundation grant). He also serves on the Yale University Engineering Council and on the Yale Alumni Board. In a 1954 speech, Mr. Chapman referred to the growing importance of American industrialists, businessmen and technicians, calling them the Management Group. "Their capacities, their depth of understanding, their sense of identification with the world," he said, "will have a tremendous influence on the manner in which our country meets its responsibilities in the conduct of its international affairs."



## The Awakening Subcontinent

ALL ASIAN COUNTRIES have economic plans and India is no exception. This article is based on the series, "India--The Awakening Giant," (published in "The New Leader") by W. S. Woytinsky, prominent economist, who has just returned from nine months in Asia. Already the author of "World Population and Production" and "World Commerce and Governments," Mr. Woytinsky is preparing his observations for publication in book form sometime in 1957.

India's economic plan differs somewhat from those of other Asiatic countries in that it is more the focus of public life rather than just a reference or guidepost. Its First Five Year Plan (April 1951 through March 1956) recognized the basic and vital importance of agriculture for India, and, in fact, the authors of the Plan stated that "the success of the whole Plan will vitally depend on the results achieved in making the most advantageous use of the land and labor resources engaged in agriculture." Accordingly, a large share in the funds available for development projects was allocated to agriculture, with the other largest proportions going to transport and communication, social services, housing and rehabilitation.

The First Plan's scope was comparatively modest in selecting goals and allocating funds. A Planning Commission was set up to assess the resources of the nation--both material and human--and to formulate a plan for their most effective use. The Commission estimated that about \$3 billion in public outlays was necessary to carry out the most urgent projects designed to strengthen India's economy. It also prepared a list of projects "to be undertaken if external assistance were available," the cost of which was estimated at \$600 million.

The authors of the First Five Year Plan, however, were not enthusiastic about too great a reliance on external assistance. "That a plan of development today must, in the main, rely on domestic resources, can hardly be over-emphasized," they declared. "External assistance is acceptable only if it carries with it no conditions, explicit or implicit..."

As time went on, Mr. Woytinsky points out, both of the Commission's lists of projects were combined, some of the programs expanded, and

by the time new items had been added, the First Five Year Plan ended with a demand for total public outlays of approximately \$5 billion. At the end of the five-year period, the Indian government had spent on the proposed projects about \$4.2 billion, or about \$700 million less than originally planned. Mr. Woytinsky goes on to say that the lag in execution of the projects was wholly due to technical and administrative difficulties and lack of managerial personnel rather than because of any shortage of funds. Foreign aid did not fail; the total amount of loans and grants awarded to India from 1951 to 1955 met the expectations of the original Plan, but the government could not use all the funds. The authors of the Plan had realized from the beginning the tremendous difficulties their country was facing in its attempt to overcome the inertia in the masses of people, especially in rural areas.

While the First Five Year Plan did not accomplish all that had been expected, Mr. Woytinsky believes that the main impact of the Plan was in the change of attitude of the people, a very important change that is not reflected in statistics. Not only the intellectuals but people with little or no education now talk politics, discuss the new Five Year Plan and the outlook for industrialization. While the average person is not aware of the technical details of the Plan, he has heard about it and believes that it will change his life. The country remains almost as poor as before because a large part of the increase in production was offset by the rapid population growth, but the psychological effect of the First Plan was to stimulate the development of a new, bigger, better and bolder Plan for long-run economic progress in India.

THE SECOND Five Year Plan is a very complicated program. A 650-page volume, supported by scores of volumes detailing the programs of single provinces and individual projects, its objective is: "To rebuild rural India, to lay the foundations of industrial progress, and to secure to the greatest extent feasible opportunities for weaker and underprivileged sections of our people and the balanced development of all parts of the country." In commenting on the new Plan, Mr. Woytinsky expresses the belief that India has taken from

the U. S. S. R. the "technique" of central planning but has preserved the "spirit" of planning that prevails in a free economy. Indian planning is also unique in that it tries to promote industrialization in a decentralized fashion, with at least as much concern for the rural areas as for the industrial centers.

Tentatively, the central government's share in the Second Plan is set at \$5.4 billion, with the states to contribute \$4.6 billion. When India embarked on the new Plan, it already had a nest egg of outstanding foreign credits amounting to \$197 million, and held in addition a promise of credit from the U. S. S. R. (\$90 million) and Great Britain (\$70 million). In all, Mr. Woytinsky says, out of \$1,680 million it expected to obtain from abroad between 1956 and 1960, it had, from the beginning, \$357 million at its disposal, with the intention of withdrawing an additional \$400 million from its sterling reserves in London. This reduces the amount of foreign aid--loans rather than grants--which India needs for execution of the Second Plan to \$900 million, a gap of less than 10 percent of all planned developmental outlays.

PERHAPS THE MOST significant development in India has been the establishment under the First Five Year Plan and continuation under the Second Plan of the Community Projects and National Extension Service in the vast rural areas of India. As Mr. Nehru said: "For the first time...we tackled the rural problem in a realistic way...by inducing the people themselves to solve their own problems. Something life-giving went to them and their eyes brightened and their arms began to function and their muscles became stronger. A process of rejuvenation set in."

The Community Projects organization began as a series of experiments to help Indian farmers improve their living conditions simply by using better methods in tilling the soil and without substantial capital investment. Its purpose was to arouse 70 million rural families to their right to a better life. Under the program, a group of specially trained officials is assigned to each block: one for agriculture, one for animal husbandry, and others for reclamation, irrigation and well drilling, health and sanitation, welfare, education and recreation, cooperatives, and handicraft training.

Mr. Woytinsky reports that by 1955-56, a total of 700 Community Development blocks covering some 70,000 villages with a popula-

tion of approximately 50 million were established. In addition, 500 blocks were organized under the National Extension Service, with the same program but without special teams of workers in charge of each block. By March 1955, 35,000 tons of improved seed had been distributed, 100,000 acres brought under cultivation for fruit and vegetables, 700,000 acres brought under irrigation, and 250,000 acres reclaimed. What these figures really mean, he says, is that 50 million men and women were reclaimed as members of a democratic community.

The Second Plan provides that, by 1961, 40 percent of the rural population will be covered by the Community Development Administration, the rest by the National Extension Service. This means more than 1,800 Development blocks and over 3,000 NES Blocks.

DURING THE PERIOD 1951 through 1955, India received \$488.5 million from the United States, and in the Second Five Year Plan the gap between what India has and what it needs is less than 10 percent of all planned developmental outlays. While the new Plan depends only partly on foreign aid--and will be executed sooner or later without it--the program must be completed on time unless it is to impose an even heavier hardship on the people of India. The success of completing the program on schedule will depend partly on foreign assistance, that is, on American aid. At this point, Indian economic planning gets tangled with the foreign policy of the United States.

The question for the United States, Mr. Woytinsky says, is therefore simple: With the economic policy of India firmly established, is this country interested in its success or not? If the United States decides to support India and its Second Five Year Plan, Mr. Woytinsky feels that it must be massive enough to strengthen the confidence of the Indian people in their Plan and show them that their friends on the opposite side of the globe follow their efforts with understanding and sympathy.

The key to understanding India, he stresses, is the simple fact that, in an environment and under conditions that are strange to us, it is shaping its future according to the pattern which is common to us and our friends and allies, indeed the common pattern of the free world. ("India--The Awakening Giant," by W. S. Woytinsky, a series of four articles in "The New Leader," September 1956. From: 7 East 15th Street, New York, N. Y. 20¢)

## World Affairs Center

THE WORLD AFFAIRS Center for the United States is scheduled to open in New York City in February or early March.

A citizen's organization founded by the Foreign Policy Association in cooperation with the Carnegie Endowment for International Peace, the Center will offer a complete background conference service to national organizations and individuals interested in international affairs. Just how the needs of these organizations will be met will depend on the unfolding program of the Center. Specialized committees which can effectively advise the Center on the development of its program will be initiated and encouraged.

Services offered by the Center will include a book, pamphlet, and document shop; an audio-visual section; and a research, reference, and "clearinghouse" function. An auditorium with a seating capacity of approximately 200 and a conference room adequate for groups of 50 will be equipped to handle film showings and TV broadcasts. Space for exhibits designed to further the purposes and programs of different groups will also be available. In addition, the Center will attempt to encourage the publication of needed material and develop channels for cooperative publishing ventures.

Financing, at least for the first five years, is being provided by the Ford Foundation, the Rockefeller Brothers Fund, the Carnegie Endowment, the Lilly Endowment, and the A. W. Mellon Educational and Charitable Trust, as well as a special project grant from the Rockefeller Foundation.

The Center, which will not be a membership organization, will be housed on the ground floor of the Carnegie Endowment International Center building, with executive offices on the second floor. The administration of the Center will be carried out by the Foreign Policy Association, and as yet the position of Executive Director has not been filled.

The Bureau of Information, now being maintained by the Conference Group of United States National Organization on the U. N., will transfer its activities to the Center when facilities become available.

(World Affairs Center for the United States, 345 East 46th Street, New York 17, N. Y.)

## NPA Joint Meeting

The annual joint meeting of the NPA board of trustees and agriculture, business, international, and labor standing committees is being held December 10th at the Statler Hotel in Washington, D. C.

Dr. Luther H. Gulick, President, The Institute of Public Administration, will speak at the dinner meeting on "New Governmental Needs of our Metropolitan Areas." His Excellency Gaganvihari La Iubhai Mehta, the Ambassador of India, will address the luncheon meeting on "The Economics of Indian Development." The meeting will be concluded with an address by H. Christian Sonne, chairman of NPA's board of trustees.

A special, illustrated issue of "Looking Ahead" will again this year cover the joint meeting and the presentation of the NPA Gold Medal Award for outstanding contribution through planning to the betterment of human life.

## Firestone in Liberia

THE ROLE that private enterprise can take in promoting the social and economic progress of underdeveloped countries has been graphically illustrated by the operations of The Firestone Tire and Rubber Company in Liberia. How both the company and the country benefited during the 30 years Firestone has been growing rubber in Liberia is described in the fifth NPA case study of U. S. Business Performance Abroad. The report, by Wayne Chatfield Taylor, is entitled "The Firestone Operations in Liberia."

In what was impenetrable, uninhabited, and disease-ridden jungle, starting with a labor force that knew nothing but the most primitive hand tools, Firestone has created two of the most efficient plantations in the world, one of which is the largest rubber producer and contains the largest latex processing plant in existence.

In a letter prefacing the report, Liberia's President William V. S. Tubman reflects his country's goodwill toward the company in his comment that "The success of the Firestone venture in Liberia is proof of the part enlightened private capital can play in the development of underdeveloped countries on the basis of mutual benefits."

(continued)



"Liberians," he continues, "are aware of the need for further foreign investment in Liberia and realize the benefits to be derived by the country from this type of investment."

In order to attract private capital, Liberia has established such incentives as liberal incorporation and patent laws, equitable tax treatment, and freedom to remit earnings and repatriate capital. In addition, there appears to be little danger of nationalization or similar threats to outside capital.

The NPA study also makes clear the possibilities for private American investment in Liberia, which are more favorable than those noted for the rest of West Africa in the October 1956 issue of "Looking Ahead."

Although Firestone is by far the largest foreign investment in Liberia, the country's "open door" policy has attracted a number of other companies, including:

The Liberia Mining Company, whose largest stockholder is the Republic Steel Corporation, mines iron ore in the rich Bomi Hills deposits. It is estimated that the deposit contains about 50 million tons of ore of 68 to 70 percent pure iron, and more than 100 million tons of ore of 35 to 50 percent iron.

The Liberia Company, originally started by the late Edward R. Stettinius, Jr., which has a large cocoa and coffee plantation just coming into production.

B. F. Goodrich is starting a rubber plantation, expected to begin producing in the 1960's.

The Pittsburgh Plate Glass Company has negotiated a concession to mine titanium, though operations will not begin for some time.

The African Fruit Company, a German firm, is developing a large banana plantation.

Other iron ore deposits—said to be richer and more extensive than those at Bomi Hills—are now being explored by a company representing American and Swedish investors.

("The Firestone Operations in Liberia," the fifth case study in the series on United States Business Performance Abroad. From: NPA, December 1956. 140 pp. \$1.00)

NPA REPORTS, in addition to LOOKING AHEAD, are sent automatically to members of the Association. For information on membership, available publications and reports, write NPA Membership Department.

LOOKING AHEAD is published 10 times a year. Permission is granted to quote from or reprint specific articles, unless otherwise stipulated, provided credit is given to LOOKING AHEAD and the National Planning Association.

#### NPA PUBLICATIONS STAFF

Editor of Publications: Eugene H. Bland  
Editorial Consultant: Virginia D. Parker  
Associate Editor: Bermen Chang  
Assistant Editor: Joan Lee

For Looking Ahead  
Assistant Editor: Ellen Chatti

NPA OFFICERS: *Chairman*, H. Christian Sonne; *Chairman, Executive Committee*, Wayne Chatfield Taylor; *Vice Chairmen*: M. H. Hedges, Frank Altschul, Clinton S. Golden, Donald R. Murphy, Beardsley Ruml; *Secretary*, Arnold S. Zander; *Treasurer*, Harry A. Bullis; *Counsel*, Charlton Ogburn; *Assistant Chairman and Executive Secretary*, John Miller.

## looking — ahead —

NATIONAL PLANNING ASSOCIATION

1606 New Hampshire Ave., N.W., Washington 9, D. C.  
Telephone: Columbia 5-7685 Cable: NATPLAN

Vol. 4, No. 9



December 1956

Form 3547 Requested

A NONPROFIT, NONPOLITICAL ORGANIZATION, ESTABLISHED IN 1934, DEVOTED TO PLANNING BY AMERICANS IN AGRICULTURE, BUSINESS, LABOR, AND THE PROFESSIONS

Non Profit Org.  
U. S. POSTAGE

**Paid**

Washington, D. C.  
Permit No. 1819



